

TOWNSHIP OF DENVER
Isabella County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, ~~2006~~
2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Denver	County Isabella
Audit Date March 31, 2006	Opinion Date April 18, 2006	Date Accountant Report Submitted to State: April 18, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature <i>Campbell, Kusterer & Co., P.C.</i>			

TOWNSHIP OF DENVER
Isabella County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

April 18, 2006

To the Township Board
Township of Denver
Isabella County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Denver, Isabella County, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Denver's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Denver, Isabella County, Michigan as of March 31, 2006, and the respective changes in financial position thereof, for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2005.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF DENVER
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

The Management's Discussion and Analysis report of the Township of Denver covers the Township's financial performance during the fiscal year ended March 31, 2006.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2006, totaled \$451,401.83 for governmental activities. Total revenues were \$139,317.79. The net decrease in net assets was \$690.99.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present government activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. These include the General Fund.

TOWNSHIP OF DENVER
Isabella County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2006

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's government-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

For the fiscal year revenues were \$139,317.79, expenses were \$140,008.78 and net assets decreased by \$690.99.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for all of the Township's governmental services. The most significant are fire protection and highways and streets which incurred expenses of \$24,668.10 and \$22,684.00, respectively.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$0 in capital assets.

The Township had no long-term debt activity during the fiscal year.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and represents a significant portion of our income.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Township at 8397 E. Rosebush Road, Mt. Pleasant, Michigan 48858.

TOWNSHIP OF DENVER
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	<u>401 413 01</u>
Total Current Assets	<u>401 413 01</u>
NON-CURRENT ASSETS:	
Capital Assets	111 644 58
Less: Accumulated Depreciation	<u>(61 655 76)</u>
Total Non-current Assets	<u>49 988 82</u>
TOTAL ASSETS	<u><u>451 401 83</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	49 988 82
Unrestricted	<u>401 413 01</u>
Total Net Assets	<u>451 401 83</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>451 401 83</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER
Isabella County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

		Program Revenue		Governmental Activities
				Net (Expense)
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	Revenue and Changes in Net Assets
FUNCTIONS/PROGRAMS				
Governmental Activities:				
Legislative	16 190 05	-	-	(16 190 05)
General government	56 948 81	1 200 00	-	(55 748 81)
Public safety	24 668 10	-	-	(24 668 10)
Public works	23 717 25	-	-	(23 717 25)
Culture and recreation	<u>18 484 57</u>	<u>-</u>	<u>18 746 78</u>	<u>262 21</u>
Total Governmental Activities	<u>140 008 78</u>	<u>1 200 00</u>	<u>18 746 78</u>	<u>(120 062 00)</u>
General Revenues:				
Property taxes				24 468 81
Other taxes				2 046 66
State revenue sharing				79 032 00
Interest				5 647 66
Miscellaneous				<u>8 175 88</u>
Total General Revenues				<u>119 371 01</u>
Change in net assets				(690 99)
Net assets, beginning of year				<u>452 092 82</u>
Net Assets, End of Year				<u>451 401 83</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER
Isabella County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2006

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash in bank	<u>401 413 01</u>
Total Assets	<u>401 413 01</u>
<u>Liabilities and Fund Equity</u>	
Liabilities	
Total liabilities	<u>-</u>
Fund equity:	
Fund balances:	
Unreserved:	
Undesignated	<u>401 413 01</u>
Total fund equity	<u>401 413 01</u>
Total Liabilities and Fund Equity	<u>401 413 01</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER
Isabella County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS

March 31, 2006

TOTAL FUND BALANCE – GOVERNMENTAL FUND 401 413 01

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	111 644 58
Accumulated depreciation	<u>(61 655 76)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 451 401 83

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER
Isabella County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
Year ended March 31, 2006

	<u>General</u>
Revenues:	
Property taxes	24 468 81
Other taxes – swamp tax	2 046 66
State revenue sharing	79 032 00
Interest	5 647 66
Miscellaneous	<u>28 122 66</u>
Total revenues	<u>139 317 79</u>
Expenditures:	
Legislative:	
Township Board	16 190 05
General government:	
Supervisor	16 781 55
Elections	31 20
Clerk	9 392 13
Board of Review	1 146 44
Treasurer	10 212 42
Building and grounds	2 738 77
Cemetery	5 096 44
Unallocated	5 268 00
Public safety:	
Fire protection	24 668 10
Public works:	
Highways and streets	22 684 00
Street lights	813 32
Drains	219 93
Culture and recreation:	
Recreation	<u>18 484 57</u>
Total expenditures	<u>133 726 92</u>
Excess of revenues over expenditures	5 590 87
Fund balance, April 1	<u>395 822 14</u>
Fund Balances, March 31	<u><u>401 413 01</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER
Isabella County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2006

NET CHANGE IN FUND BALANCE – TOTAL GOVERNMENTAL FUND 5 590 87

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(6 281 86)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(690 99)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF DENVER
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Denver, Isabella County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Denver. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Joint Ventures

ISABELLA NORTHEAST FIRE DISTRICT

The Township is a member of the Isabella Northeast Fire District, which is a joint venture of the Townships of Denver, Isabella and Vernon, and the Village of Rosebush. Each unit appoints a representative to serve on the five-member Fire District Board along with a member selected at large. The Fire District Board is responsible for adopting the annual budget. The costs of operation of the Fire District are shared among the units based on their portion of the total State Equalized Valuation of the Fire District. Annual contributions to the Fire District are made based upon the budget. For the fiscal year ended March 31, 2006, the Township of Denver paid \$18,475.16 to the Isabella Northeast Fire District. The Fire District is required to be audited biannually and was audited as of June 30, 2005. The latest available financial data of the joint venture was obtained from audited financial statements of Isabella Northeast Fire District for their year ended June 30, 2005, and is as follows:

Total Assets	\$670 068 49
Total Liabilities	-
Total Net Assets	670 068 49
Total Revenue	79 195 89
Total Expenses	59 739 67
Increase in Net Assets	19 456 22

COLEMAN FIRE DISTRICT

The Township is a member of the Coleman Fire District, which is a joint venture of the Townships of Warren, Geneva, Wise and Denver and the Village of Coleman. Each unit appoints a representative to serve on the Fire District Board. The Fire District Board is responsible for adopting the annual budget. The costs of operation of the Fire District are shared among the units based on their portion of a combination of the total State Equalized Valuation, the population, and the residency of the Fire District. For the fiscal year ended March 31, 2006, the Township of Denver paid \$6,192.94 to the Coleman Fire District. The latest available financial data of the joint venture was obtained from audited financial statements of Coleman Fire District for their year ended June 30, 2005, and is as follows:

Total Assets	\$593 486 00
Total Liabilities	90 611 00
Total Net Assets	502 875 00
Total Revenue	137 313 00
Total Expenses	151 194 00
Increase in Net Assets	(13 881 00)

TOWNSHIP OF DENVER
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

TOWNSHIP OF DENVER
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The Township 2005 tax roll millage rate was .9775 mills, and the taxable value was \$24,970,594.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$2,500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	25-35 years
Furniture and equipment	5-10 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

TOWNSHIP OF DENVER
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2005, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$49,988.82.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF DENVER
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2006

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated four banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>401 413 01</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	330 222 15
Uninsured and Uncollateralized	<u>72 851 86</u>
Total Deposits	<u>403 074 01</u>

The Township of Denver did not have any investments as of March 31, 2006.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/05</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/06</u>
Land	42 419 60	-	-	42 419 60
Buildings	45 881 49	-	-	45 881 49
Equipment	<u>23 343 49</u>	<u>-</u>	<u>-</u>	<u>23 343 49</u>
Total	111 644 58	-	-	111 644 58
Accumulated Depreciation	<u>(55 373 90)</u>	<u>(6 281 86)</u>	<u>-</u>	<u>(61 655 76)</u>
Net Capital Assets	<u>56 270 68</u>	<u>(6 281 86)</u>	<u>-</u>	<u>49 988 82</u>

TOWNSHIP OF DENVER
Isabella County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2006

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2006, was \$7,870.31.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Denver does not issue building permits. Building permits are issued by the County of Isabella.

TOWNSHIP OF DENVER
Isabella County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

Year ended March 31, 2006

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	20 800 00	20 800 00	24 468 81	3 668 81
Other taxes – swamp tax	2 000 00	2 000 00	2 046 66	46 66
State revenue sharing	60 000 00	60 000 00	79 032 00	19 032 00
Interest	6 000 00	6 000 00	5 647 66	(352 34)
Miscellaneous	<u>2 500 00</u>	<u>2 500 00</u>	<u>28 122 66</u>	<u>25 622 66</u>
Total revenues	<u>91 300 00</u>	<u>91 300 00</u>	<u>139 317 79</u>	<u>48 017 79</u>
Expenditures:				
Legislative:				
Township Board	22 400 00	22 400 00	16 190 05	(6 209 95)
General government:				
Supervisor	22 450 00	22 450 00	16 781 55	(5 668 45)
Elections	1 950 00	1 950 00	31 20	(1 918 80)
Clerk	11 550 00	11 550 00	9 392 13	(2 157 87)
Board of Review	2 200 00	2 200 00	1 146 44	(1 053 56)
Treasurer	13 050 00	13 050 00	10 212 42	(2 837 58)
Building and grounds	6 800 00	6 800 00	2 738 77	(4 061 23)
Cemetery	24 111 43	24 111 43	5 096 44	(19 014 99)
Unallocated	14 200 00	14 200 00	5 268 00	(8 932 00)
Public safety:				
Fire protection	29 000 00	29 000 00	24 668 10	(4 331 90)
Public works:				
Highways and streets	229 023 50	229 023 50	22 684 00	(206 339 50)
Street lights	1 200 00	1 200 00	813 32	(386 68)
Drains	1 000 00	1 000 00	219 93	(780 07)
Culture and recreation:				
Recreation	<u>21 000 00</u>	<u>21 000 00</u>	<u>18 484 57</u>	<u>(2 515 43)</u>
Total expenditures	<u>399 934 93</u>	<u>399 934 93</u>	<u>133 726 92</u>	<u>(266 208 01)</u>
Excess (deficiency) of revenues over expenditures	(308 634 93)	(308 634 93)	5 590 87	314 225 80
Fund balance, April 1	<u>384 457 63</u>	<u>384 457 63</u>	<u>395 822 14</u>	<u>11 364 51</u>
Fund Balance, March 31	<u>75 822 70</u>	<u>75 822 70</u>	<u>401 413 01</u>	<u>325 590 31</u>

TOWNSHIP OF DENVER
Isabella County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2006

Township Board:	
Wages	6 696 47
Pension	7 870 31
Dues	1 058 00
Miscellaneous	565 27
	<u>16 190 05</u>
Supervisor – Assessor:	
Supervisor wages	7 968 28
Assessor wages	8 179 92
Miscellaneous	633 35
	<u>16 781 55</u>
Elections:	
Miscellaneous	31 20
Clerk:	
Wages	9 040 83
Miscellaneous	351 30
	<u>9 392 13</u>
Board of Review:	
Wages	1 015 84
Miscellaneous	130 60
	<u>1 146 44</u>
Treasurer:	
Wages	8 679 50
Miscellaneous	1 532 92
	<u>10 212 42</u>
Building and grounds:	
Utilities	1 359 72
Maintenance	1 379 05
	<u>2 738 77</u>
Cemetery:	
Sexton	774 56
Contracted services	2 400 00
Miscellaneous	1 921 88
	<u>5 096 44</u>
Unallocated:	
Insurance	5 268 00
Fire protection:	
Contracted services	<u>24 668 10</u>
Highways and streets:	
Repairs and maintenance	<u>22 684 00</u>
Street lights	<u>813 32</u>
Drains	<u>219 93</u>
Recreation	<u>18 484 57</u>
Total Expenditures	<u>133 726 92</u>

TOWNSHIP OF DENVER
Isabella County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

	<u>Balance</u> <u>4/1/05</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/06</u>
<u>Assets</u>				
Cash in Bank	<u>60 508 08</u>	<u>460 624 08</u>	<u>521 132 16</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	21 909 22	2 559 59	24 468 81	-
Due to others	<u>38 598 86</u>	<u>458 064 49</u>	<u>496 663 35</u>	<u>-</u>
Total Liabilities	<u>60 508 08</u>	<u>460 624 08</u>	<u>521 132 16</u>	<u>-</u>

TOWNSHIP OF DENVER
Isabella County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2006

Cash in bank – beginning of year	<u>60 508 08</u>
Cash receipts:	
Current property tax	<u>460 624 08</u>
Total cash receipts	<u>460 624 08</u>
Total beginning balance and cash receipts	<u>521 132 16</u>
Cash disbursements:	
Township General Fund	24 468 81
Isabella County	202 201 45
Chippewa River District Library	34 446 97
Mt. Pleasant Public Schools	203 809 10
Isabella County Transportation Commission	20 027 58
Shephard Public Schools	3 797 86
Coleman Community Schools	<u>32 380 39</u>
Total cash disbursements	<u>521 132 16</u>
Cash In Bank – End of Year	<u><u>-</u></u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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FAX (989) 894-5494

AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

April 18, 2006

To the Township Board
Township of Denver
Isabella County, Michigan

We have audited the financial statements of the Township of Denver for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Denver in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Denver
Isabella County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2006. The implementation of this pronouncement for the Township of Denver began with the year ended March 31, 2006. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2006.

To the Township Board
Township of Denver
Isabella County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants